

CERTIFICATION OF ENROLLMENT

SECOND SUBSTITUTE HOUSE BILL 1405

Chapter 191, Laws of 2011

62nd Legislature
2011 Regular Session

CONSUMER LOAN ACT--LOANS

EFFECTIVE DATE: 07/22/11

Passed by the House April 14, 2011
Yeas 97 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 9, 2011
Yeas 47 Nays 2

BRAD OWEN

President of the Senate

Approved April 29, 2011, 3:27 p.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE HOUSE BILL 1405** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

Chief Clerk

FILED

April 29, 2011

**Secretary of State
State of Washington**

SECOND SUBSTITUTE HOUSE BILL 1405

AS AMENDED BY THE SENATE

Passed Legislature - 2011 Regular Session

State of Washington 62nd Legislature 2011 Regular Session

By House General Government Appropriations & Oversight (originally sponsored by Representatives Kirby, Kelley, Ladenburg, Darneille, Ryu, Stanford, and Jenkins)

READ FIRST TIME 02/22/11.

1 AN ACT Relating to loans made under the consumer loan act; amending
2 RCW 31.04.027; and reenacting and amending RCW 31.04.025.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 31.04.025 and 2009 c 311 s 1 and 2009 c 120 s 3 are
5 each reenacted and amended to read as follows:

6 (1) Each loan made to a resident of this state by a licensee, or
7 persons subject to this chapter, is subject to the authority and
8 restrictions of this chapter, unless such loan is made under the
9 authority of chapter 63.14 RCW.

10 (2) This chapter does not apply to the following:

11 (a) Any person doing business under, and as permitted by, any law
12 of this state or of the United States relating to banks, savings banks,
13 trust companies, savings and loan or building and loan associations, or
14 credit unions;

15 (b) Entities making loans under chapter 19.60 RCW (pawnbroking);

16 (c) Entities making loans under chapter 63.14 RCW (retail
17 installment sales of goods and services);

18 (d) Entities making loans under chapter 31.45 RCW (check cashers
19 and sellers);

1 (e) Any person making (~~loans~~) a loan primarily for business,
2 commercial, or agricultural purposes(~~or~~) unless the loan is secured
3 by a lien on the borrower's primary residence;

4 (f) Any person making loans made to government or government
5 agencies or instrumentalities(~~or~~) or making loans to organizations as
6 defined in the federal truth in lending act;

7 (~~f~~) (g) Entities making loans under chapter 43.185 RCW (housing
8 trust fund);

9 (~~g~~) (h) Entities making loans under programs of the United
10 States department of agriculture, department of housing and urban
11 development, or other federal government program that provides funding
12 or access to funding for single-family housing developments or grants
13 to low-income individuals for the purchase or repair of single-family
14 housing; (~~and~~

15 ~~h~~) (i) Nonprofit housing organizations making loans, or loans
16 made, under housing programs that are funded in whole or in part by
17 federal or state programs if the primary purpose of the programs is to
18 assist low-income borrowers with purchasing or repairing housing or the
19 development of housing for low-income Washington state residents; and

20 (j) Entities making loans which are not residential mortgage loans
21 under a credit card plan.

22 (3) The director may, at his or her discretion, waive applicability
23 of the consumer loan company licensing provisions of this chapter to
24 other persons, not including individuals subject to the S.A.F.E. act,
25 making or servicing loans when the director determines it necessary to
26 facilitate commerce and protect consumers. The director may adopt
27 rules interpreting this section.

28 **Sec. 2.** RCW 31.04.027 and 2001 c 81 s 3 are each amended to read
29 as follows:

30 It is a violation of this chapter for a licensee, its officers,
31 directors, employees, or independent contractors, or any other person
32 subject to this chapter to:

33 (1) Directly or indirectly employ any scheme, device, or artifice
34 to defraud or mislead any borrower, to defraud or mislead any lender,
35 or to defraud or mislead any person;

36 (2) Directly or indirectly engage in any unfair or deceptive
37 practice toward any person;

1 (3) Directly or indirectly obtain property by fraud or
2 misrepresentation;

3 (4) Solicit or enter into a contract with a borrower that provides
4 in substance that the consumer loan company may earn a fee or
5 commission through the consumer loan company's best efforts to obtain
6 a loan even though no loan is actually obtained for the borrower;

7 (5) Solicit, advertise, or enter into a contract for specific
8 interest rates, points, or other financing terms unless the terms are
9 actually available at the time of soliciting, advertising, or
10 contracting;

11 (6) Fail to make disclosures to loan applicants as required by RCW
12 31.04.102 and any other applicable state or federal law;

13 (7) Make, in any manner, any false or deceptive statement or
14 representation with regard to the rates, points, or other financing
15 terms or conditions for a residential mortgage loan or engage in bait
16 and switch advertising;

17 (8) Negligently make any false statement or knowingly and willfully
18 make any omission of material fact in connection with any reports filed
19 with the department by a licensee or in connection with any
20 investigation conducted by the department;

21 (9) Make any payment, directly or indirectly, to any appraiser of
22 a property, for the purposes of influencing the independent judgment of
23 the appraiser with respect to the value of the property; ((~~or~~))

24 (10) Accept from any borrower at or near the time a loan is made
25 and in advance of any default an execution of, or induce any borrower
26 to execute, any instrument of conveyance, not including a mortgage or
27 deed of trust, to the lender of any ownership interest in the
28 borrower's primary residence that is the security for the borrower's
29 loan;

30 (11) Obtain at the time of closing a release of future damages for
31 usury or other damages or penalties provided by law or a waiver of the
32 provisions of this chapter; or

33 (12) Advertise any rate of interest without conspicuously
34 disclosing the annual percentage rate implied by that rate of interest
35 or otherwise fail to comply with any requirement of the truth in
36 lending act, 15 U.S.C. Sec. 1601 and regulation Z, 12 C.F.R. Sec. 226,
37 the real estate settlement procedures act, 12 U.S.C. Sec. 2601 and
38 regulation X, 24 C.F.R. Sec. 3500, or the equal credit opportunity act,

1 15 U.S.C. Sec. 1691 and regulation B, Sec. 202.9, 202.11, and 202.12,
2 or any other applicable federal statute, as now or hereafter amended,
3 in any advertising of residential mortgage loans or any other consumer
4 loan company activity.

Passed by the House April 14, 2011.

Passed by the Senate April 9, 2011.

Approved by the Governor April 29, 2011.

Filed in Office of Secretary of State April 29, 2011.